

Message Text

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ORIGIN XMB-04

INFO OCT-01 NEA-10 ISO-00 SS-15 EB-07 OMB-01 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 NSC-05 L-03 PA-01

PRS-01 /080 R

DRAFTED BY XMB:LMLAROCHE/SCPROCTOR:CLW

APPROVED BY P - MR. SISCO

EB/JTO - MR. SWART

XMB - MR. NORRIS

XMB - MR. GLICK

BMB - MR. CASEY

NEA/EGY - MR. MATTHEWS

S/S - MR. BORG

----- 090696

R 262111Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 151078

E.O. 11652: GDS

TAGS: EFIN, EG

SUBJECT: EXIMBANK LOAN REQUIREMENTS

REF: (A) CAIRO 5735, (B) STATE 58844, (C) STATE 83411,
(D) STATE 277235, 12-18-74

FOR THE AMBASSADOR FROM CHAIRMAN CASEY

SUMMARY: EXIM REQUIREMENTS NOT NEWLY STIPULATED. FULL
FAITH AND CREDIT GUARANTEE IS STANDARD EXIM REQUIREMENT
FOR LOANS TO GOVERNMENT ENTITIES. TRUST ARRANGEMENT ON
HOTEL ORIGINALLY PROPOSED BY MARRIOTT AND WE BELIEVE
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ACCEPTED BY GOE, WITNESS FORMAL APPLICATION AND RECENT
TELEX. END SUMMARY.

1. EXIMBANK SURPRISED AT ALLEGATIONS IN FOREIGN

MINISTER'S DEMARCHE (REF. A), BUT MOST IMPORTANTLY AT APPARENT GOE AVERSION TOWARD GIVING FULL FAITH AND CREDIT GUARANTEE. THIS MESSAGE WILL ENDEAVOR TO CLARIFY MISUNDERSTANDINGS. BANK NOTES SOME INFORMATION SHOULD BE AVAILABLE TO EMBASSY FROM PREVIOUS CABLES AND COPIES OF PRELIMINARY COMMITMENTS.

2. EXIMBANK MUST RESTATE THE NEED FOR A FULL FAITH AND CREDIT GUARANTEE. IT IS A STANDARD, TRADITIONAL REQUIREMENT OF THE BANK THAT TRANSACTIONS WITH PUBLIC SECTOR BUYERS BE THE DIRECT OBLIGATION OF THE GOVERNMENT, OR GUARANTEED BY OR ON BEHALF OF THE GOVERNMENT. EXIMBANK'S REQUIREMENT THAT IT BE GIVEN AN UN-CONDITIONAL GUARANTEE OF GOE IS THE SAME AS THE WORLD BANK. IN THE CASE OF THE WORLD BANK A SPECIAL ENTITY, AGENCY FOR ARAB AND INTERNATIONAL ECONOMIC COOPERATION, APPARENTLY HAS BEEN DESIGNATED TO GUARANTEE LOANS ON BEHALF OF THE GOE. IN CASE OF EXIM, EGYPTIAN OFFICIALS INDICATED IN EARLY DISCUSSIONS THAT CENTRAL BANK WOULD BE THE APPROPRIATE BODY TO BIND THE FULL FAITH AND CREDIT OF THE GOE.

3. CREDIT 5745 - MARRIOTT OMAR KHAYYAM HOTEL:

A. NAME OF BORROWER IS EGYPTIAN COMPANY FOR HOTELS AND TOURISM (TOURHOTEL), A SUB OF EGOH.
B. AMOUNT OF LOAN IS DOLS 3,931,000, AND WAS IN FACT AUTHORIZED 3-13-75 (REF. B).
C. AS FURTHER SECURITY, BORROWER IS TO ASSIGN AND DEPOSIT IN TRUST ACCOUNT 50 PERCENT OF FOREIGN BOOKINGS (MENTIONED IN PAR. 3, REF. B). N.B., ACCOUNT SECURES BOTH EXIM AND BOA LOANS. THIS IS NOT QUOTE NEWLY STIPULATED UNQUOTE. ARRANGEMENT WAS ORIGINALLY PROPOSED BY MARRIOTT AND WAS INCORPORATED IN BOTH 5-29-74 PRELIMINARY COMMITMENT LETTER AND 9-4-74 APPLICATION SIGNED BY GARAWANY AND ALLOUBA. THEIR LETTER UNDER PAR. 8, QUOTE SECURITY UNQUOTE, SAYS:
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QUOTE (A) UNCONDITIONAL GUARANTEE OF THE NATIONAL BANK OF EGYPT AND A GUARANTEE OF FOREIGN EXCHANGE AVAILABILITY BY THE CENTRAL BANK OF EGYPT. IN ADDITION, WE WILL PROVIDE WHATEVER ADDITIONAL GUARANTEES ARE REQUIRED BY YOU. (B) TRUST ACCOUNT PER THE ATTACHED APPLICATION. (C) LETTER FROM UNDERSECRETARY OF FINANCE PERMITTING THE RETENTION ACCOUNT PER YOUR PRELIMINARY COMMITMENT. UNQUOTE.

D. EXIMBANK'S 3-21-75 COMMITMENT LETTER READS, IN CONTRAST TO QUOTE IN PAR. 2, REF. A:

QUOTE 9. GUARANTOR. REPAYMENT OF ALL INDEBTEDNESS OF THE BORROWER TO EXIMBANK IN CONNECTION WITH THE EXIMBANK

CREDIT SHALL BE UNCONDITIONALLY GUARANTEED BY THE CENTRAL BANK OF EGYPT FOR AND ON BEHALF OF THE ARAB REPUBLIC OF EGYPT. UNQUOTE. THIS ALSO MENTIONED PAR. 2, REF. B, AS WELL AS IN PRESS RELEASE REF. C.

E. EXIM ALWAYS CONCERNED TO BE SURE THAT MARRIOTT HAD DISCUSSED AND AGREED WITH EGYPTIANS ON TRUST ARRANGEMENT. HENCE CONDITION IN 3-21-75 COMMITMENT LETTER REQUIRING EVIDENCE THAT GOE ALLOW EARNINGS BE SO ASSIGNED AND RETAINED IN ACCOUNT OUTSIDE EGYPT AND USED REPAY IN-DEBTEDNESS.

F. EXIM ALSO NOTES THAT TELEX OF 6-16-75 FROM EL GARAWANY OF EGOH, REFERRING TO 3-21-75 COMMITMENT LETTER, STATES, QUOTE WE AGREE TO THE PRINCIPAL TERMS AND CONDITIONS STOP PROCEDURES TAKEN FOR THE GUARANTEE WITH COMPETENT AUTHORITIES STOP APPRECIATE RECEIVING LOAN DRAFT AGREEMENT TO FINALIZE DOCUMENTATION STOP UNQUOTE.

4. CREDIT 5649 - GEN. EGYPTIAN ELECTRICITY CORP. (GEEC) - GAS TURBINES. THIS LOAN, FOR DOLS 5,040,000 (NOT DOLS 10 MILLION - BALANCE OF DOLS 5 MILLION FINANCING BEING OBTAINED PRIVATELY WITHOUT EXIM GUARANTEE), WAS SIGNIFICANT IN BEING FIRST TO BE APPROVED RECENTLY (9-24-74) BY EXIM ON EGYPT'S CREDIT ALONE, WITHOUT SPECIAL SECURITY ARRANGEMENT. AUTHORIZATION REQUIRED REPAYMENT GUARANTEE BY CBE FOR AND ON BEHALF OF GOE, AS MENTIONED CONFIDENTIAL

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IN PRESS RELEASE REF. D. THE LETTER OF ADVICE FOR CREDIT 5649 SPECIFIED THAT A DRAFT AGREEMENT WOULD FOLLOW CONTAINING ALL THE TERMS AND CONDITIONS OF EXIMBANK'S FINANCING AND SUCH AGREEMENT WHEN DELIVERED DID CONTAIN THE FULL FAITH AND CREDIT LANGUAGE. TRUE THAT 6-4-75 TELEX REPEATED REQUIREMENT FOR FULL FAITH AND CREDIT. IT ALSO SAID IF ARRANGEMENT FOR CBE TO SIGN IS UNSATISFACTORY, CAN SUBSTITUTE GOE, QUOTE BUT IN NO EVENT CAN THE GUARANTEE OF THE GOE BE DISPENSED WITH UNQUOTE.

5. FOREIGN MINISTER'S GENERAL QUESTIONS SEEM TO HAVE BEEN ANSWERED ADEQUATELY BY AMBASSADOR.

6. INSTALLMENT OF DOLS 2.4 MILLION IN PRINCIPAL AND INTEREST DUE EXIM 4-1-75 RECEIVED 6-12-75. KISSINGER

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<< END OF DOCUMENT >>

Message Attributes

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Draft Date: 26 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: 11652 GDS
Errors: n/a
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Margaret P. Grafeld
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